ENCOMPASS MINI TOWN HALL

ACCOUNTING ISSUES, AS APPLIED TO ENCOMPASS

July 15, 2009

STATE OF INDIANA INTEGRATED FINANCIAL SYSTEM

- ◆ BENEFITS TO THE STATE OF INDIANA
  - ❖ Streamlined financial processing and reporting
  - ❖ Greater financial visibility and accountability across state agencies
  - ❖ "Real time" access to comprehensive financial data
  - ❖ Enhanced management decision-making capabilities
  - ❖ Reduced need for subsidiary systems
  - ❖ Lower overall information technology cost

TO ASSURE THOSE BENEFITS:

- Users need basic understanding of:
  - Use of system

  - Business processes as applied to system

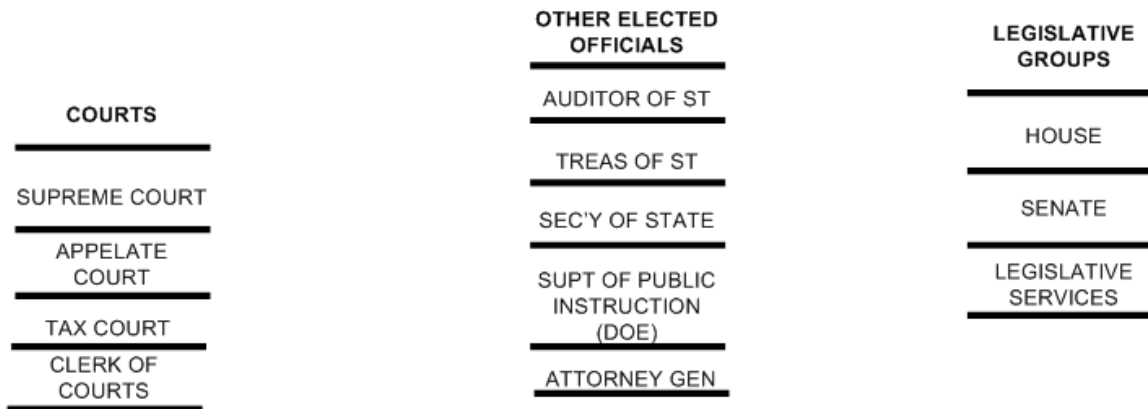 - Accounting theory applied to system

OBJECTIVES OF THIS SESSION

To gain a better understanding of:

- State's financial and reporting structure
- Accounting principles and how it affects you
- "Big Picture"
  - Why 'how I do this' is important
  - How it affects the State's final product
    - Financial Statements and reports
    - Where we spend taxpayers dollars

FINANCIAL REPORTING STRUCTURE STATE OF INDIANA

INSIDE STATE GOVERNMENT

COURTS

SUPREME COURT

APPELATE COURT

TAX COURT

CLERK OF COURTS

OTHER ELECTED OFFICIALS

AUDITOR OF ST

TREAS OF ST

SEC'Y OF STATE

SUPT OF PUBLIC INSTRUCTION (DOE)

ATTORNEY GEN

LEGISLATIVE GROUPS

HOUSE

SENATE

LEGISLATIVE SERVICES

STATE OF INDIANA EXECUTIVE BRANCH OFFICIALS/AGENCIES

LOCAL UNITS OF GOVERNMENT

CITIES, TOWNS

COUNTIES

SCHOOLS

TOWNSHIPS

ETC.

NOT FOR PROFITS

UNIVERSITIES

PURDUE UNIV

INDIANA UNIV

IN STATE UNIV

BALL STATE UNIV

UNIV S INDIANA

IVY TECH

VINCENNES

QUASI/OTHER UNITS

PERF

TRF

IEDC

PORTS

IN FINANCE AUTHORITY

HOOSIER LOTTERY

ETC.

OUTSIDE STATE GOVERNMENT

CAFR – WHAT IS IT & WHY DO WE NEED IT?

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

IMPORTANCE TO STATE OF INDIANA:

- To retain excellent bond rating

- To provide timely financial information to users

- Government Finance Officers Association (GFOA) – awards Certificate of Excellence if CAFR passes their review – a 'status symbol' among government finance officers

The Government Finance Officers Association
of the United States and Canada

presents this

AWARD OF FINANCIAL REPORTING ACHIEVEMENT

to

Tim Berry

Auditor of State
State of Indiana

The award of Financial Reporting Achievement is presented by the Government Finance Officers Association to the individual(s) designated as instrumental in their government unit achieving a Certificate of Achievement for Excellence in Financial Reporting. A Certificate of Achievement is presented to those government units whose annual financial reports are judged to adhere to program standards and represents the highest award in government financial reporting.

Executive Director

Date   June 24, 2009
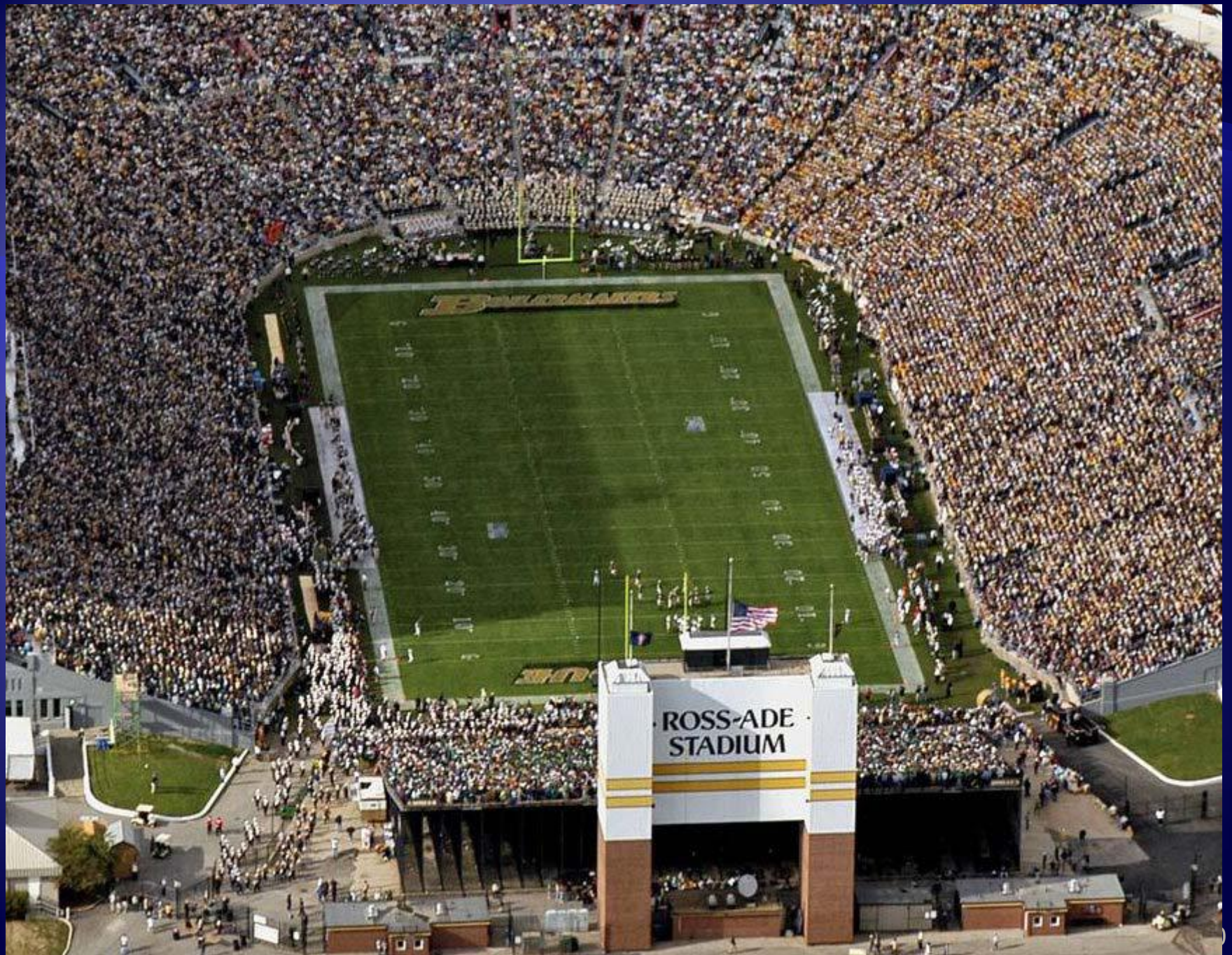
Tax Revenues - Governmental Activities

Pie chart showing:
- Insurance, Inheritance, Alcohol & Tobacco, & Financial Institutions 6.5%
- Gaming 5.6%
- Fuels 4.6%
- Other 3.9%
- Income Taxes 39.6%
- Sales 39.8%
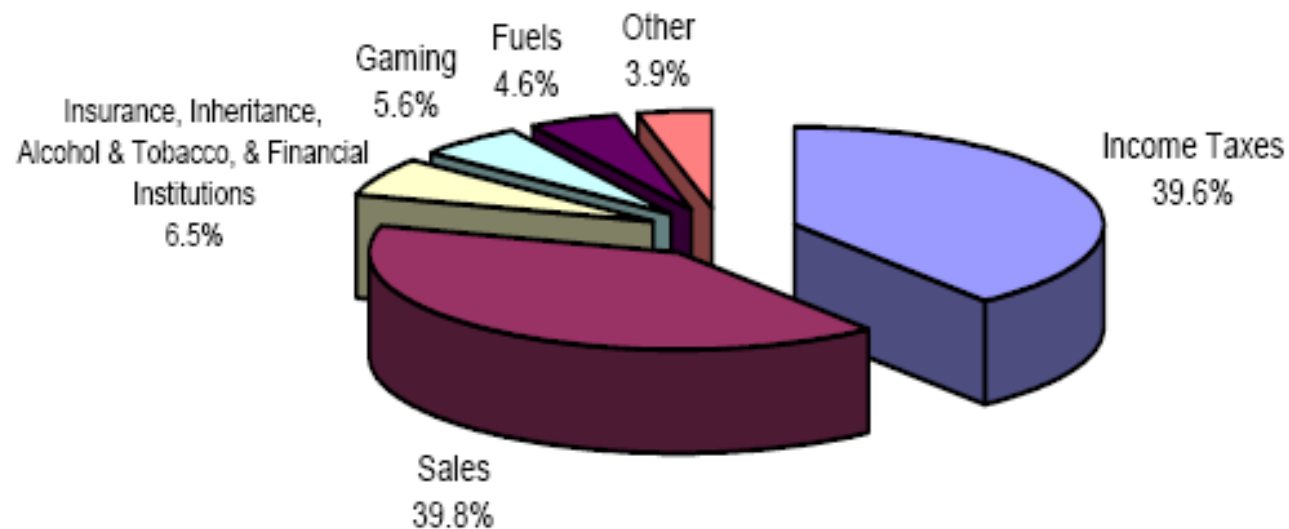
Expenses - Governmental Activities

Transportation 5.2%

Other 2.3%

General Government 20.4%

Education 29.0%

Public Safety 5.5%

Health & Welfare 37.6%
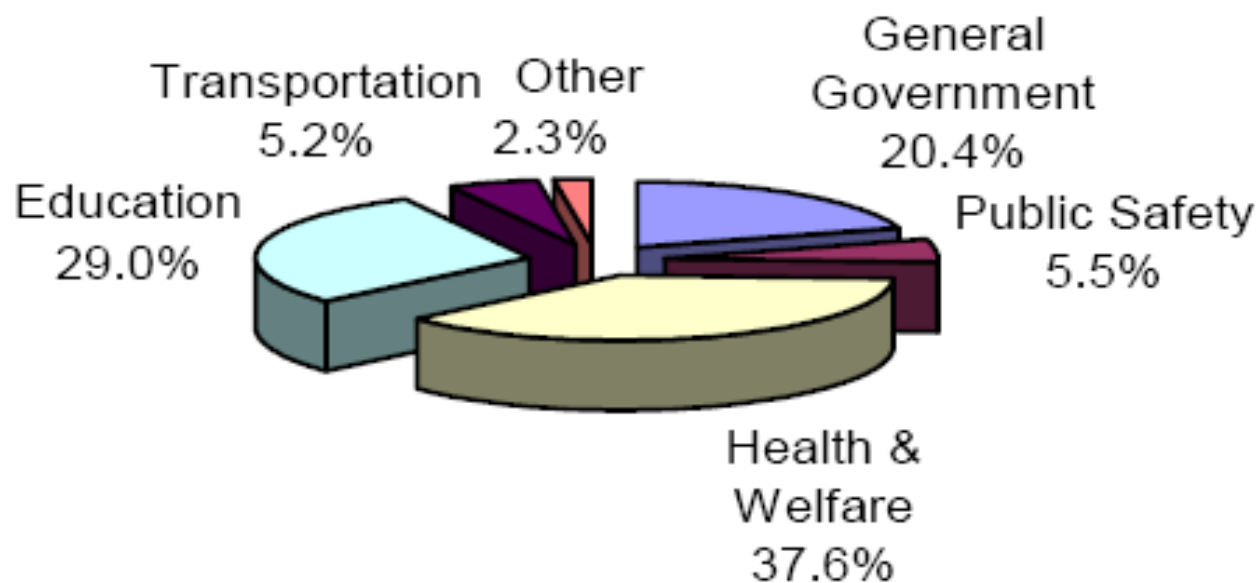
State of Indiana
Statement of Net Assets
June 30, 2008
(amounts expressed in thousands)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets:				
Current assets:				
Cash, cash equivalents and investments	$ 7,452,010	$ 293,275	$ 7,745,285	$ 3,343,249
Securities lending collateral	2,437,137	-	2,437,137	548,956
Receivables (net)	2,148,038	39,682	2,187,720	666,811
Inventory	5,802	608	6,410	14,690
Prepaid expenses	3,956	45	4,001	22,153
Loans	57,146	-	57,146	-
Intergovernmental loans	-	-	-	1,068,689
Due from primary government	-	-	-	34,561
Due from component unit	36,088	-	36,088	-
Investment in direct financing lease	-	-	-	53,090
Funds held in trust by others	-	-	-	18,159
Other postemployment benefits	-	-	-	6,303
Other current assets	-	-	-	60,744
Total current assets	12,140,177	333,610	12,473,787	5,837,405
Noncurrent assets:				
Cash, cash equivalents and investments - restricted	-	-	-	2,478,638
Taxes, interest, and penalties receivable	445,194	-	445,194	4,722
Other receivables	13,325	-	13,325	5,371,790
Investments - unrestricted	-	-	-	4,381,770
Loans	474,894	-	474,894	22
Bond issuance costs net of amortization	-	-	-	48,570
Intergovernmental loans	-	-	-	1,736,315
Due from primary government	-	-	-	50,000
Investment in direct financing lease	-	-	-	1,447,101
Net pension assets	181,362	-	181,362	-
Other postemployment benefits	-	-	-	1,191
Other noncurrent assets	5	-	5	74,607
Capital assets:				
Land	1,316,455	-	1,316,455	355,874
Infrastructure	7,762,926	-	7,762,926	534,442
Construction in progress	724,035	3,056	727,091	1,303,865
Property, plant, and equipment	1,842,960	22,802	1,865,762	8,902,719
Less accumulated depreciation	(985,093)	(12,185)	(997,278)	(3,826,555)
Total capital assets, net of depreciation	10,661,283	13,673	10,674,956	7,270,345
Total noncurrent assets	11,776,063	13,673	11,789,736	22,865,071
Total assets	23,916,240	347,283	24,263,523	28,702,476

Liabilities:

Current liabilities:

Accounts payable	527,010	587	527,597	409,027
Claims payable	-	2,737	2,737	11,109
Interest payable	-	-	-	150,402
Current portion of long-term debt	-	-	-	1,658,051
Line of credit	-	-	-	478,475
Intergovernmental payable	152,957	-	152,957	-
Due to primary government	-	-	-	36,088
Due to component unit	34,561	-	34,561	-
Capital lease payable	41,153	-	41,153	1,561
Accrued prize liability	-	-	-	62,585
Salaries, health, disability, and benefits payable	129,965	452	130,417	31,163
Tax refunds payable	45,497	-	45,497	-
Deferred revenue	11,141	6,437	17,578	299,806
Accrued liability for compensated absences	80,522	186	80,708	62,230
Other postemployment benefits	-	-	-	5,563
Securities lending payable	4,457	-	4,457	-
Securities lending collateral	2,437,137	-	2,437,137	548,956
Deposits held in custody for others	-	-	-	58,937
Other current liabilities	41	418	459	63,534
Total current liabilities	3,464,441	10,817	3,475,258	3,877,487

Long-term liabilities:

Accrued liability for compensated absences	$ 67,863	$ 237	$ 68,100	$ 56,605
Claims payable	-	46,974	46,974	-
Intergovernmental payable	60,000	-	60,000	-
Accrued prize liability	-	-	-	80,630
Internal balances	-	-	-	-
Net pension obligations	10,833	-	10,833	-
Other postemployment benefits	35,745	-	35,745	7,834
Due to component unit	50,000	-	50,000	-
Deferred revenue	-	-	-	3,709,235
Capital lease payable	1,280,440	-	1,280,440	9,083
Funds held in trust for others	-	-	-	160,067
Advances from federal government	-	-	-	35,517
Revenue bonds/notes payable	-	-	-	12,135,832
Other noncurrent liabilities	-	-	-	60,062
Total long-term liabilities	1,504,881	47,211	1,552,092	16,254,865
Total liabilities	4,969,322	58,028	5,027,350	20,132,352

Net Assets:				
Invested in capital assets net of related debt	9,339,690	13,673	9,353,363	3,049,564
Restricted-nonexpendable:				
Grants/constitutional restrictions	-	-	-	2,974
Permanent funds	555,950	-	555,950	-
Future debt service	-	-	-	118,515
Instruction and research	-	-	-	198,481
Student aid	-	-	-	155,770
Other purposes	-	-	-	114,810
Total restricted-nonexpendable	555,950	-	555,950	590,550
Restricted-expendable:				
Instruction and research	-	-	-	430,105
Grants/constitutional restrictions	163,841	-	163,841	11,106
Endowments	-	-	-	510,015
Future debt service	-	-	-	249,365
Pension fund distribution	-	-	-	14,617
Public safety programs	-	-	-	7,016
Student aid	-	-	-	719,477
Auxiliary enterprises	-	-	-	8,076
Capital projects	-	-	-	406,943
Repairs and rehabilitation	-	-	-	806
Water pollution and drinking water projects	-	-	-	894,366
Unemployment compensation	-	265,013	265,013	-
Unrealized gains	-	-	-	96,329
Other purposes	-	-	-	20,995
Total restricted-expendable	163,841	265,013	428,854	3,369,216
Unrestricted	8,887,437	10,569	8,898,006	1,560,794
Total net assets	$ 18,946,918	$ 289,255	$ 19,236,173	$ 8,570,124

The notes to the financial statements are an integral part of this statement.

	Employees
Wal-Mart	41,545
U.S. Government	37,100
State of Indiana (1)	35,622
Indiana University	16,781
Eli Lilly and Co.	14,694
Purdue University	14,632
Clarian Health (2)	12,763
City of Indianapolis/Marion County (3)	10,691
St. Vincent Health	10,455
Kroger Company	8,500
Community Health Network	7,950
FedEx Corporation	7,600
CVS Pharmacy	6,150
U.S. Steel Corporation	5,990
Well Point Inc.	4,500
Rolls-Royce Corporation	4,300
Roche Diagnostics Corporation	3,700
Steak n Shake Company	3,507
Kimball International Inc.	3,367
Wishard Health Services	3,317
Total	253,164

CAFR COMPILATION & AUDIT

- AOS compiles all information for CAFR; must be audited by SBOA with a 'clean' audit report
- Current compilation issues
  - Cash financial system doesn't include much needed info
  - Some info misrepresented due to lack of accounting knowledge for certain transactions , such as transfers
- Future plans for compilation

ENCOMPASS FINANCIAL DATA
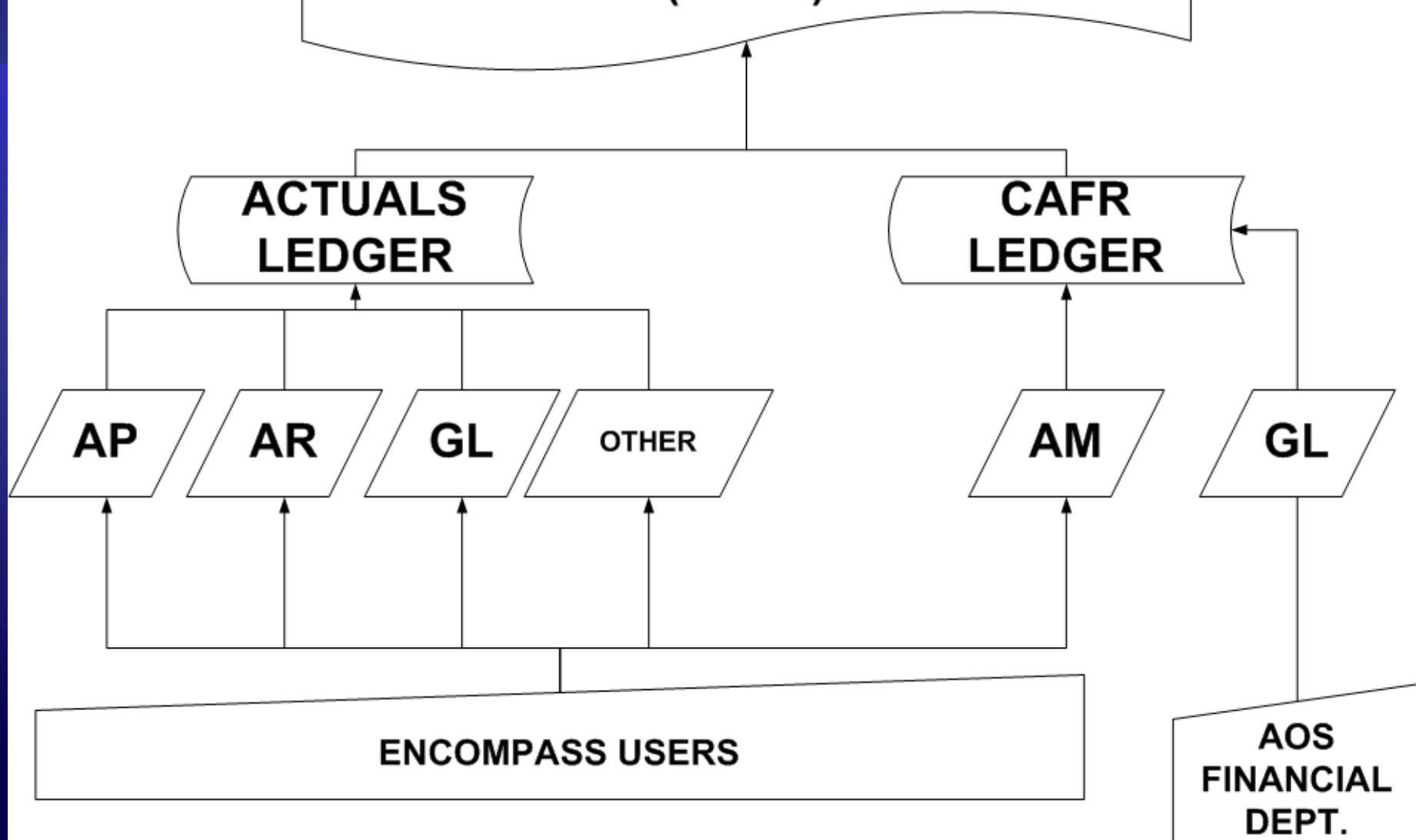
STATE ACCOUNTING AND COMPLIANCE GUIDELINES MANUAL

STATE ACCOUNTING MANUAL

- Currently in revision; new chapters; new format; will be electronic form only

- Handy reference guide for accounting issues, compliance guidelines, links to more specialized information. An excellent place to start if have questions.

- Relates to many ENCOMPASS processes, particularly noting accepted business processes to be used.

- Should be used along with ENCOMPASS Job Aids and other instructional materials.

IMPORTANT ACCOUNTING TERMINOLOGY

FROM CHAPTER 1 -- NEW ACCTG MANUAL

- ASSET – *the financial value (economic benefit) of what is obtained (owned) or controlled (owed to) by a particular entity (the State of Indiana, in our case). Assets would include, but are not limited to, Cash, Accounts, Grants & Loans Receivable (owed to), Capital Assets (owned). Asset account numbers begin with "1".*

- LIABILITY– *future sacrifices of* Assets; *i.e. what is owed and, in all probability, will be paid to outside vendors, other governments, etc. This does not include* encumbrances; *a liability does not exist until the goods or services have been received. Liability account numbers begin with "2".*

- NET ASSETS – *total* Assets *less total* Liabilities; *in other words, the net worth of the entity. Net Asset (and fund balance) account numbers begin with a "3".*

- REVENUE – revenue *is created (recognized) when a receivable is entered. If* revenue *is received with no prior receivable, the matching entry is Cash. Revenue account numbers begin with a* "4".

- EXPENDITURE/EXPENSE – *a matching* expenditure *(governmental fund types) or* expense *(other fund types)* is created (recognized) at the same time as the related liability. *Expenditure/expense account numbers begin with a* "5", *except in the case of ID bills from internal service funds, which will begin with* "6".

- OTHER FINANCING SOURCES/USES – *transfers, bond proceeds and payments, distributions, and other related items that should not be included as* Revenues *or* Expenditures *in governmental fund types.* Other Financing Sources/Uses *account numbers begin with a "7".*

GOVERNMENTAL FUND TYPES

FUND TYPES

- Governmental funds -- *general fund, capital projects funds, debt service funds, permanent funds; monies which may be spent for operating, construction and debt payments. Permanent fund interest, but not principal, may be spent.*

- Proprietary funds *-- internal service funds, enterprise funds -- internal service funds provide an at-cost service to the government; enterprise are self sufficient funds, provide service to citizens.*

- Fiduciary funds *-- pension trust, private-purpose trust, agency funds -- monies not belonging to the government, but held in a fiduciary capacity.*

OTHER REPORTING UNITS

- Quasi-agencies *-- established by statute to provide certain services to the government; these agencies have the option to establish their own operating rules and regulations, subject to approval by their respective board or commissions.*

ENCOMPASS FINANCIAL ACCOUNTING SYSTEM

CHARTFIELD STRUCTURE

◆ Business Unit (BU) *-- the principal unit of financial accountability within State government.*

◆ **Fund *(replaces fund center)* *-- the primary means** within a Business Unit *for tracking and relating specific sources and uses of revenues or budget authority.* Funds *are self balancing sets of accounting records. Each Business Unit will have at least one* fund, *however most will have multiple* funds, *one for each State appropriation, Federal Granting Agency, or other source of spending authority.*

- **Account Number *(replaces object)* -- *used to classify specific transactions according to the nature of the receipt, expenditure or effect on the financial position of the* fund *or entity. See Appendices for listing of* Account Numbers.

- Program *-- a classification of an activity according to the purpose or objective of the activity. One initiative, PROBE, supported the identification of these activities and from the resulting report,* Program *values have been established.   Program could be used to track other activities as well.*

- Department *-- signifies the* department *incurring a cost; relates to HR* department *values.*

- Locality -- *identifies a geographic location or area.*
- Product -- *used to track costs of goods or services provided to other State Agencies by Internal Service funds.*
- Incident -- *a transactional classification used to track costs associated with a particular event or activity, such as a hurricane or tornado, as determined by the* Statewide Financial Policy Group.
- Project -- *an accumulation of costs for a definite period of time. Project* is required for all federal grants and all construction projects.

"HOW TO" GUIDE FOR ACCOUNTING ENTRIES

DOUBLE ENTRY ACCOUNTING

For every Debit (+) entry there is an equal Credit (-) entry. For most transactions, the other side of the entry is automatically made by the system, assuming the correct equivalent entry is made by the user. Journal vouchers (correcting entries in AP) or journal entries (made directly to the general ledger) require knowledge of both sides of the transaction.

DEBIT (DR +)	*CREDIT (CR -)*
Increase Cash (receipt)	*Decrease Cash (payment)*
Increase Asset (Billing of Receivables)	*Increase Receipts/revenues*
Increase Expenses/expenditures	*Increase Liability (Voucher Entry)*
Reduction (refund) of revenue	*Reduction (refund) of expenses/expenditures*

Let's take one more look at the state's financial structure, as discussed earlier.
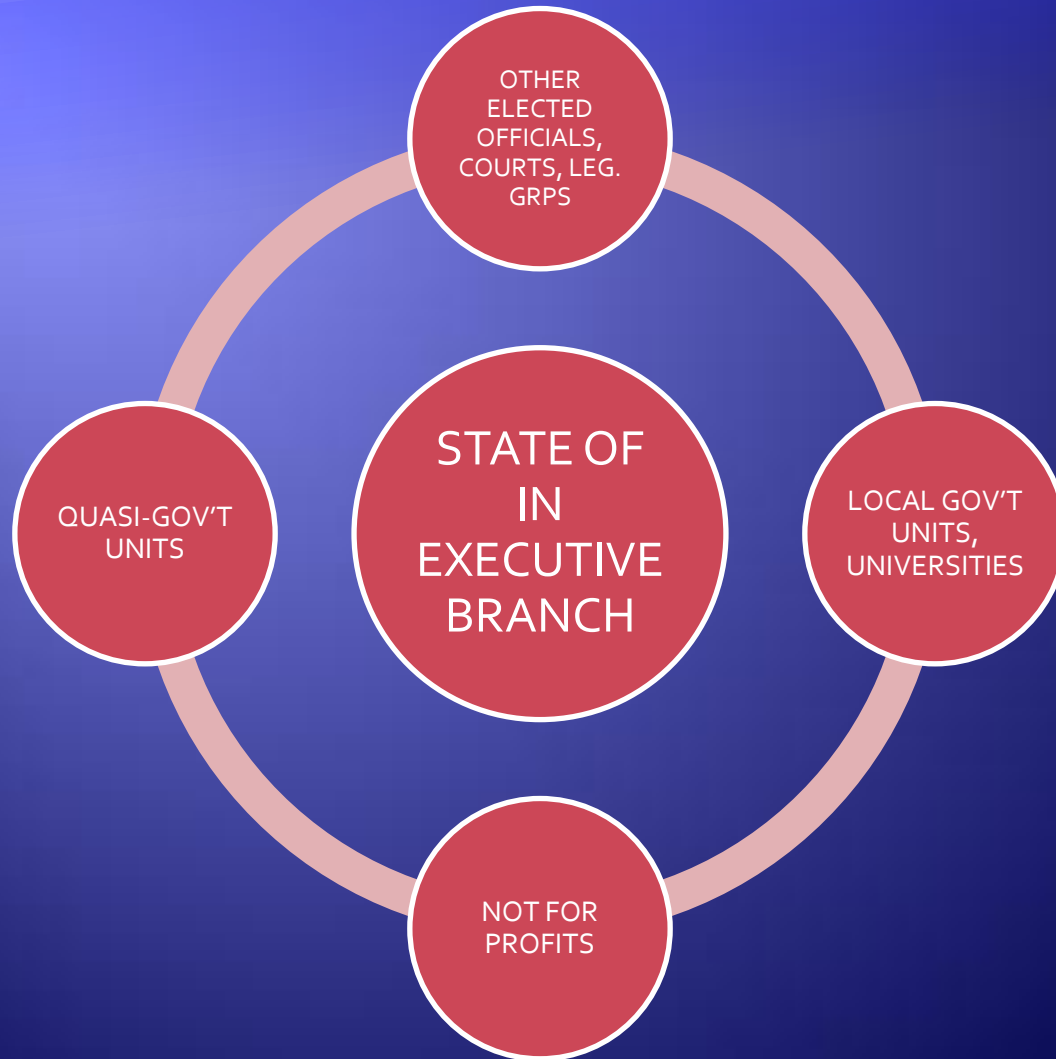
INSIDE STATE GOVERNMENT
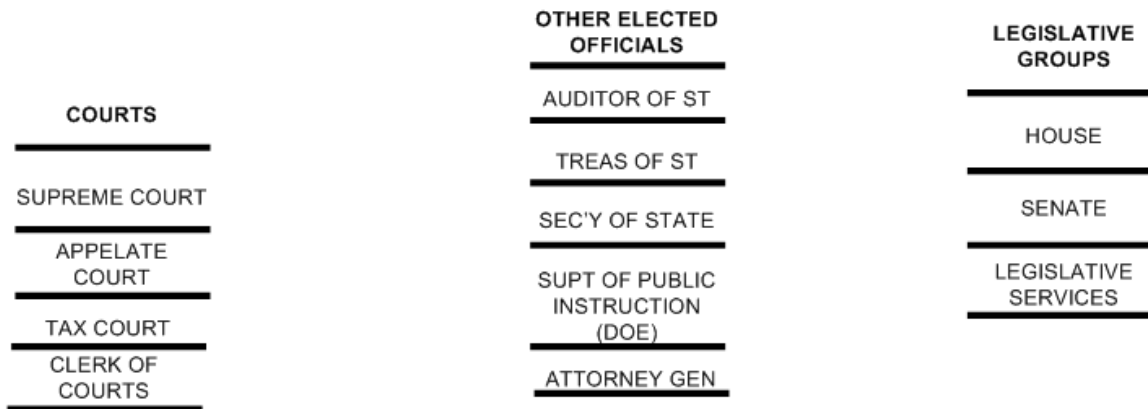
OTHER ELECTED OFFICIALS
- AUDITOR OF ST
- TREAS OF ST
- SEC'Y OF STATE
- SUPT OF PUBLIC INSTRUCTION (DOE)
- ATTORNEY GEN

LEGISLATIVE GROUPS
- HOUSE
- SENATE
- LEGISLATIVE SERVICES

COURTS
- SUPREME COURT
- APPELATE COURT
- TAX COURT
- CLERK OF COURTS

STATE OF INDIANA EXECUTIVE BRANCH OFFICIALS/AGENCIES

LOCAL UNITS OF GOVERNMENT
- CITIES, TOWNS
- COUNTIES
- SCHOOLS
- TOWNSHIPS
- ETC.

NOT FOR PROFITS

UNIVERSITIES
- PURDUE UNIV
- INDIANA UNIV
- IN STATE UNIV
- BALL STATE UNIV
- UNIV S INDIANA
- IVY TECH
- VINCENNES

QUASI/OTHER UNITS
- PERF
- TRF
- IEDC
- PORTS
- IN FINANCE AUTHORITY
- HOOSIER LOTTERY
- ETC.

OUTSIDE STATE GOVERNMENT

DECISIONS TO MAKE FOR EACH FINANCIAL TRANSACTION

- If an 'After the fact (ATF)' transaction, should I use a Journal Voucher (JV -- in AP only) or a Journal Entry (JE) in the General Ledger?

- Is my transaction a Debit (DR) or a Credit (CR)?

- Is my transaction with an outside entity (cousin) or within state government (immediate family)

- Do I have all required chartfields correct – Fund, Account, Project (if applicable), Department, Program, Budget Reference

ENCOMPASS FINANCIAL DATA
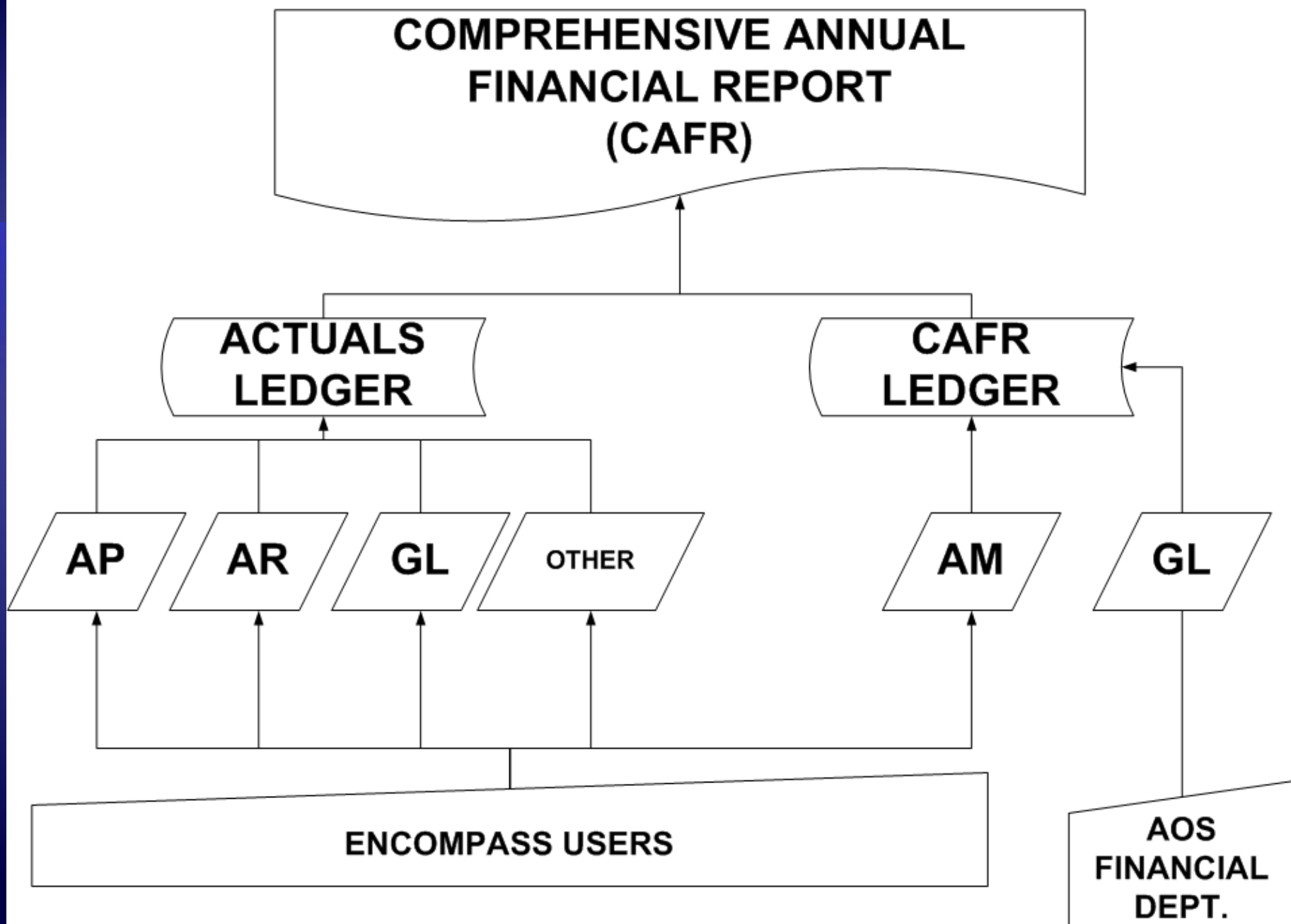
SHARING OF REVENUES & EXPENDITURES

EXAMPLE #1 – Sharing Initial Deposits

- **To deposit receipts to multiple Bus**
  - *Deposit transaction is initiated in ENCOMPASS by BU 1*
  - *Deposit line distribution can be coded to BU 2 revenue account after selecting BU*
  - *Multi business unit access not necessary*

  - *Do you enter the receipt as a DR (+) or a CR (-)?*
  - *Do you enter the Cash side of the transaction?*

Example #2 – Sharing Expense on Original Voucher Payment

- **To share voucher payment with multiple BUs**
  - *AP voucher is initiated in ENCOMPASS by BU 1*
  - *Voucher line distribution can be coded to BU 2 expense account after selecting BU*
  - *Multi business unit access not necessary*

  - *Do you enter the payment as a DR (+) or a CR (-)?*
  - *Do you enter the Cash side of the transaction?*

AFTER – THE – FACT TRANSACTIONS (ATF)

BACKGROUND INFO – "ATF" Distribution of Rev/Exp – JV vs. JE

- *Journal Voucher (JV) – adjustment to transactions originating in AP*
  - *Can be used ONLY for changes to transactions initiated in AP*
  - *Timing not a factor; original voucher may be paid and posted*
  - *Use ONLY if total amount paid on original voucher doesn't change.*
  - *If not yet paid, alternatives may be an option.*
  - *Required procedure, as JVs contain a field to identify the original Voucher ID*

  - *Result of change – considerably fewer entries directly to the General Ledger; BU staff assignments may need review*

BACKGROUND INFO – Cont.

- ***Journal Entry (JE)*** *– an entry made directly to the General Ledger (GL)*
  - *Original entry NOT in AP (would be JV)*
  - *Not to be used to correct coding for transactions initiated in one of the ENCOMPASS subsystems (AP, AM, AR, etc.) Corrections should be made in the originating module if possible.*
  - *Note – Required business processes for AR and AP are detailed in Chapters 4 and 7 of the Accounting Manual. Examples later in this presentation.*

ATF EXPENDITURE SHARING

EXAMPLE #3 – ATF sharing

- BU 500 has paid a $10,000 bill for a consulting service which was shared with BU 505; it was impossible to determine the share to be paid by BU505 prior to the payment of the invoice . The invoice was paid from BU 500, Fund 11410, Account 531010.

- BU 505 has notified you that they want their share, $4,000, paid from Fund 16640. (As account #s are universal throughout the state, this will remain as 531010.

EXAMPLE #3 - DECISIONS

- **If an ATF transaction, should I use a Journal Voucher (JV -- in AP only) or a Journal Entry (JE) in the General Ledger?**

  - **A – ATF? Yes. The original payment was in AP, so it should be a JV in AP.**

- **Q -- Is my transaction a Debit (DR) or a Credit (CR)?**

  - **A – My original entry was an expense account (DR), so the reversal should be a reduction of the expense (CR) to my BU and fund. The DR would be applied to the other BU fund.**

EXAMPLE #3 - Continued

- **Q - Is my transaction with an outside entity (cousin) or within state government (immediate family)?**
  - **A -- BU 505 is a state executive branch agency – immediate family**

- **Do I have all required chartfields correct – Fund, Account, Project (if applicable), Department, Program, Budget Reference?**

ORIGINAL VOUCHER FOR $10,000

JOURNAL VOUCHER MOVING $4,000 TO BU 505; NOTE RELATED VOUCER ENTRY OF ORIGINAL VOUCHER ID

EXAMPLE #4

- *BU00500 has purchased, and paid for from their general fund (11410), software costing $15,000, using account 555553.*

- *Based on a grant from the federal government, 50% of the cost is reimbursable by the grant, which is accounted for in fund 62130, Project #500MED08.*

EXAMPLE #4 - DECISIONS

- If an ATF transaction, should I use a Journal Voucher (JV -- in AP only) or a Journal Entry (JE) in the General Ledger?
  - A – ATF? Yes. The original payment was in AP, so it should be a JV in AP.
- Q -- Is my transaction a Debit (DR) or a Credit (CR)?
  - A – My original entry was an expense account (DR), so the reversal should be a reduction of the expense (CR) to my BU and fund. The DR would be applied to the new Project fund and Project #.

EXAMPLE #4 - Continued

- **Is my transaction with an outside entity (cousin) or within state government (immediate family)?**
  - **A – Stays within my BU–immediate family**

- **Do I have all required chartfields correct – Fund, Account, Project (if applicable), Department, Program, Budget Reference?**

EXAMPLE #5 – Memo of Understanding (MOU)

♦ *BU 080 has an approved MOU with BU 038 to provide certain audit services not otherwise required by law. In accordance with the MOU, salaries of auditors for time spent on this project totaled $5,000.*

EXAMPLE #5 - DECISIONS

- **Q - If an ATF transaction, should I use a Journal Voucher (JV -- in AP only) or a Journal Entry (JE) in the General Ledger?**
  - **A – ATF? Yes, however, at this time payroll is paid through the GEAC system and payroll expenditures are posted in ENCOMPASS through the GL, JE would be used.**
- **Q - Is my transaction with an outside entity (cousin) or within state government (immediate family)?**
  - **A – State Government – both are state agencies**

EXAMPLE #5 - Continued

- Q -- Is my transaction a Debit (DR) or a Credit (CR)? What kind of transaction is this?
  - A – By moving certain $$ costs from 080 to 038, we will reduce 080 expenditures already incurred on previous payrolls. CR the payroll fund and account for BU080, and DR the same in BU 050. An interunit Journal Entry will result, requiring approvals from both to finalize.
- Q - Do I have all required chartfields correct – Fund, Account, Project (if applicable), Department, Program, Budget Reference?

EXAMPLE #6 – Allocation of Expenditure/Expense

- The most common use of this allocation is allocation of payroll expenses to funds/projects other than the original payroll posting, which is automatically posted from GEAC payroll system to ENCOMPASS General Ledger.

- Universal use of ENCOMPASS Time and Labor will eliminate the necessity for these allocations

EXAMPLE #6 - DECISIONS

◆ **Q - If an ATF transaction, should I use a Journal Voucher (JV -- in AP only) or a Journal Entry (JE) in the General Ledger?**

  ◆ **A – ATF? Yes. The original payment was NOT in AP, but in GL, so it should be a JE in GL.**

◆ **Q -- Is my transaction a Debit (DR) or a Credit (CR)?**

  ◆ **A – My original entry was an expense account (DR), so the reversal should be a reduction of the expense (CR) to the original fund. The DR would then be applied to the new fund and other applicable chartfields**

ATF REVENUE SHARING

EXAMPLE #7

- *Federal Project 500FP60001 has received a $1,000,000 draw from the related federal agency. The amount of $500,000 is to be transferred to either another State BU (subrecipient) or another federal project, where the expenditure occurred.*

- *Note: If 2 BUs are affected, both agencies must approve the entry before it is routed to the AOS for posting. This multi BU approval works in AP and GL.*

EXAMPLE #7 - DECISIONS

- **Q - If an ATF transaction, should I use a Journal Voucher (JV -- in AP only) or a Journal Entry (JE) in the General Ledger?**

  - **A – ATF? Yes. The original payment was NOT in AP, but in AR, so it should be a JE in GL.**

- **Q -- Is my transaction a Debit (DR) or a Credit (CR)?**

  - **A – My original entry was an revenue account (CR), so the reversal should be a reduction of the revenue (DR) to my original Project. The CR would then be applied to the new Project fund and Project # (and BU if applicable)**

EXAMPLE #7 - Continued

- **Q - Is my transaction with an outside entity (cousin) or within state government (immediate family)?**

  - **A – Stays within my BU (or within SOI) –immediate family**

- **Do I have all required chartfields correct – Fund, Account, Project (if applicable), Department, Program, Budget Reference**

MOVING $500,000 FROM BU 500 TO BU 286 AS
SUBRECIPIENT IN PROJECT

SUMMARY :

- *With all of these ATF transactions, we have simply moved the revenue/expenditure from one fund/account to another. We have not increased (or decreased) the total revenue/expenditures of the state.*

AR – ROC AND CHARTFIELD ERROR CORRECTIONS

ZERO BASED DEPOSIT - ROC

- BU 495 erroneously entered an incorrect account number on a payment in AR (421150 instead of 421200). All postings have been completed; it is impossible to change the transaction.

- Q – Do you make a direct Journal Entry to the GL to correct this error?

- Q – Or should this be done in the AR module?

REQUIRED BUSINESS PROCESS FOR AR ERROR CORRECTION

- Enter a new deposit in AR, using -0- as the total amount of the deposit, with 2 payment lines for each correction needed(a + and -) to net to zero.

- Reference the initial Deposit ID on the Payment Line in the new deposit

- Take the ROC to TOS; TOS will approve, using ZERO for an approval code

- Open new deposit; make correct chartfield entries, using two lines for each correction
  - DR (+) error line chartfields, to remove this original CR
  - CR (-) correct chartfields

67

FIRST PAYMENT LINE – AMOUNT = - 200.00   Payment ID = original deposit ID (123456)

AMOUNT = 200.00 NOTE DESCRIPTION TEXT

APPROVAL CHANGED TO PENDING

TOS APPROVED – TOS DEPOSIT ID = ZERO

TO REMOVE 200.00 FROM ACCOUNT 421150

TO ADD THE 200.00 DEPOSIT TO ACCOUNT 421200

WHEN FINISHED, NOTIFY YOUR AR ACCOUNTING APPROVER TO APPROVE THE CORRECTING ENTRIES

ANOTHER EXAMPLE OF AR ERROR CORRECTION

- Both the BU and the TOS incorrectly entered/approved a deposit for $10,000 that was actually $1,000. The bank notified TOS of the error.

- Q – Do you make a direct Journal Entry to the GL to correct this error?

- Q – Or should this be done in the AR module?

REQUIRED BUSINESS PROCESS FOR AR ERROR CORRECTION

- Enter a new deposit in AR, creating a new ROC

- Q – To reduce your deposit by $9,000, do you enter a DR (+) or CR (-) of $9,000?

- A – Revenue is a CR, so you would use the DR (+) to reduce the original amount entered

- Q – What Deposit Type & Payment Method should I use?

- A – In this case, you would select the J (ADJ) Deposit Type and Debit Payment Method.

OUTSIDE ENTITIES

EX. #8 – Passing Federal $ to Outside Subrecipient

- *BU 500 remits $500,000 from a **reimbursable** federal grant to Good County, a subrecipient of BU 500. The $500,000 is then drawn down from the federal agency by BU 500.*

EXAMPLE #8 - DECISIONS

- **Q - If an ATF transaction, should I use a Journal Voucher (JV -- in AP only) or a Journal Entry (JE) in the General Ledger?**
  - **A – ATF? No, the grant $ have not yet been received.**

- **Q - Is my transaction with an outside entity (cousin) or within state government (immediate family)?**
  - **A – Good County is an outside entity -- cousin**

EXAMPLE #8 - Continued

- **Q -- Is my transaction a Debit (DR) or a Credit (CR)? What kind of transaction is this?**

  - **A – Since we are sending $$ to an outside entity, a voucher will be processed as any other payment from the grant Project. It is an expenditure of the state, thus a DR. When the federal draw is received, it would be receipted to the grant Project.**

- **Q - Do I have all required chartfields correct – Fund, Account, Project (if applicable), Department, Program, Budget Reference**

EXAMPLE #9 – AOS to PERF

- Payments are made on behalf of your agency, as they are made for all agencies, to PERF for your retirement benefits and annuity plan.

- Q - Should these payments be considered a transfer of funds or an expenditure of the State of Indiana?

- A – Since PERF is a quasi (cousin), this is an expenditure of the State and a revenue to PERF.

TRANSFER EXAMPLE

EXAMPLE #10 – Movement of State Match to Federal Funds

◆ Note: State appropriations will initially be recorded in a state legal fund which is established by state statute.

◆ Example: BU500 is required to provide a state match in the amount of $500,000 for a federal grant, which to be accounted for in fund 62130, project #500MED08. Appropriations/allotments have been recorded in fund 11410; $500,000 must be moved to the federal fund.

ONE OF THE FEW USES FOR THE TRUE TRANSFER

- As the revenue must be shown in the State fund, rather than reducing revenue in that fund and adding to revenue in the federal fund, a transfer account is used. These accounts begin with '74'.

- The good news is: The Budget Agency financial staff will be doing this for you; they have an Appropriation Transfer List for all such transfers

SUMMARY

- Subsystems should be used for adjustments as much as possibly to preserve the trail of the information.

- The integrity of data from ENCOMPASS will depend on the accuracy of data input.

- If all work together to improve data integrity and achieve the benefits discussed at the beginning of this session.

QUESTIONS?

◆ If you have further questions on any of these issues or other accounting issues, my contact information is:

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